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Leadership Competency Series

Elephants too can dance!

LEADERSHIP COMPETENCIES / It was possible to fix the collapsing big business IBM, which changed the prevailing wisdom "small is beautiful". Big companies too can be fast, responsive and effective, if the competencies of leadership, focus and execution are applied as proved by Gerstner, who turned IBM's vision into reality, writes M R Chandramowly.

THERE are four kinds of people. "Those who make things happen", "those to whom things happen", "those who watch things happen" and "those who don't even know things are happening". Those who make things happen are the people who manage vision. They talk beyond today, get vision shared by every one and create mileposts to gather support behind the vision. They inspire and motivate entire organisation.

In the history of modern business, many companies have come down from the rank of industrial leader to the verge of extinct. But only one company has been the pinnacle of an industry fallen to near collapse and then, beyond any one's expectation, returned to set the agenda. It was well on its way to being broken into individual parts, but it was back in one piece; that is IBM. Lou Gerstner, Jr., the erstwhile CEO of IBM, is the person who made things to happen. He re-established IBM's mission, as a "customer-focused provider of computer solutions". Gerstner made IBM once again, one of the world's pre-eminent corporations.

Who say's elephants can't dance

A visionary who turned out IBM became so popular, the customers and programmers who worked for competitors use to line up for Gerstner's autograph! He served as Chairman and CEO of IBM from April 1993 to March 2002. This retired CEO did something interesting other than playing golf. He narrated the historical turnaround of IBM, giving blow-by-blow account of the story in his book "Who say's elephants can't dance". The prevailing wisdom has been that small is beautiful. Small companies are fast, responsive and effective. Large companies are slow, bureaucratic, unresponsive and ineffective. But, small companies have become big.

"Big" matters. Size can be leveraged. **Leadership, Focus and Execution** are the three key competencies applicable to all enterprises and that is how the big elephant IBM, got back dancing again.

Leadership vision

Gerstner, an MBA from Harvard, entered business at the age 23. "The most important thing I learnt at McKinsey was the detailed process of understanding the underpinning of a company," says Gerstner who had spent his initial nine years at McKinsey, partnering for its three major clients. When he reached 30, he no longer wanted to be the person "who walks in the room and present a report to a person sitting at the other end of the table". He had the leadership vision and wanted to be a person sitting at the other end of the table. With this ambition, he moved on to American Express, which was one of IBM's largest customers. He envisioned a sense of strategic value of information technology. A gigantic e-business era emerged in the form of a plastic card "American Express" during 1970's. In 1989, when he left American express and joined Nabisco, a packaged-goods company, he received a secret call from American Express, to join back as CEO, but a top

position in IBM was waiting for him.

For the first half of 20th century, IBM “business machines” embraced all the places of business and commerce. The “System/360” a widely successful product of IBM mainframe family became a multi dollar business. The company’s revenues grew with an amazing profit margin of 60 per cent with a market share of 30 per cent. The next big thing was “Unix” — the advent of Personal Computer. IBM revered up until the early 1990's. In 1993 when computer industry had changed so rapidly, IBM lost $16 billion and was on a watch list for extinction. Looking out for a saviour, IBM put on a worldwide search of well over 155 names and Gerstner was offered the job to fix IBM.

Fixing trouble

What did Gerstner do? What was his vision? What principles he applied? How did he fix IBM? Gerstner managed by principles, not procedures; believed in quality and competitive strategy. He broke the rules of “pay for position and presence” and implemented pay for performance. Most importantly, he sacked the organisation politicians. As soon as he took over as CEO, he laid out a 90-day assignment asking employees to manage company by fixing relationships, sales and competitive attacks.

The path to success was never smooth. It was his first meeting of shareholders when IBM stock had dropped from a high of $43 in 1989 to $12 a share on April 26, 1993. 2,300 shareholders most of them white-haired were angry out of blood, perhaps deservedly so. Beginning his speech, he asked for some patience and finally made it clear that he would move quickly, make all changes and return the company's focus to customers. After the hectic day, on his journey back flying in an IBM corporate airplane, the flight attendant, while serving his dinner, told him that alcohol is not served on plane as prohibited by IBM. The rule got changed effective-immediately! Probably it was symbolic to the death of dominant committee. Some IBM people had learned how to exploit system to promote their own agenda.

Stop bleeding and hold vision

Though Gerstner did all this, the progress was invisible to the outside world. USA Today, on July 14, 1993, wrote that Louis Gerstner's honeymoon period of 100 days ended, with no major strategic moves and the IBM stock went down by 6 per cent. Gerstner quickly made some decisions and announced his four-point agenda:

(1) To keep the company together,
(2) Change fundamental economic model,
(3) Re-engineer how IBM did business and
(4) Sell under-productive assets, while holding on to vision.

By end of 1994, Leadership team was created and Gerstner declared the war of geographic fiefdoms. He eased out the method of tracking customer data. The rigid structure of pooling in 142 different financial systems with its 23,000 support people in Europe was changed. Gerstner noted - the support people belonged to their geography first, while IBM took second place.

Shunting those who preside over process

Gerstner wanted detailed analysis of major money losing business. Executives told him that, they would check with the team and get back. When they did not get back even after three occasions of reminding them,

Gerstner went directly to the team and discovered that senior executives often just presided. They waited to review the work till the team did it! IBM had a practice of electing senior people to the title of corporate officers, which stayed with them for life, like a tenor of university. The performance post-election was not a factor at all for compensation and benefits and special advantages. The advantage of "Corporate Officers" was removed.

The 8 Principles

Gerstner managed IBM's vision, lead by his principles. These eight principles are stunningly powerful to achieve success on its application as proved by him.

(1) Market force is driving force in every thing we do,
(2) Technology companies have overriding commitment to quality,
(3) Customer satisfaction and shareholder value is the measure of success,
(4) To operate with minimum bureaucracy and never ending focus on productivity,
(5) Never lose site of strategic vision,
(6) Think and act with strong urgency,
(7) Outstanding and dedicated people will make it happen, particularly when they work together as a team and
(8) Being sensitive to the needs of all employees and to the community in which we operate.

IBM leadership competencies

Gerstner actively promulgated these principles and built management training and evaluation around eleven Leadership Competencies of four clusters. (I) Focus to win (1. Customer Insight, 2. Breakthrough Thinking, 3. Drive to Achieve), (II) Mobilise to execute (4. Team Leadership, 5. Straight Talk, 6. Team Work, 7. Decisiveness), (III) Sustain Momentum (8. Building organisational Capability, 9. Coaching, 10. Personal Dedication) and IV. The Core (11. Passion for business).

He "woke up" the management team and brought in behavioural changes. He shifted the forces from "Attacking the people" to "Alter the process", "Rule driven" to "Principles driven", "Do it in my way" to "do it in customer's way".

The wave that rises today will fall tomorrow,
Again rises the next day in new dimensions and marrow.
If today and tomorrow are viewed together,
What fills our life is nothing but wonder - (D V G's Kagga: 232)

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